

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS**

GE HFS HOLDINGS, INC.
Formerly known as
HELLER HEALTHCARE FINANCE,
INC.,

Plaintiff,

and

MICHAEL INGOLDSBY,

Intervenor/Plaintiff,

v.

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA, and
INTERNATIONAL INSURANCE
GROUP, LTD.,

Defendants.

CIVIL ACTION No: 05-CV-11128-NG

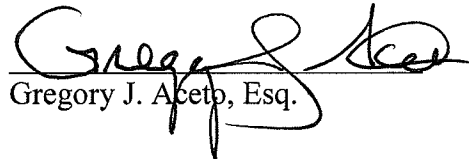
**AFFIDAVIT OF GREGORY J. ACETO, ESQ. IN OPPOSITION TO
INTERNATIONAL INSURANCE GROUP, LTD.'S
MOTION FOR SUMMARY JUDGMENT**

I, Gregory J. Aceto, Esq. being duly sworn, depose and state as follows:

1. I am an attorney with the law firm of Johnson & Aceto, LLP, 67 Batterymarch Street, Suite 400, Boston, Massachusetts, and am duly licensed to practice law in the courts of the Commonwealth of Massachusetts.
2. I am counsel for the Plaintiff-Intervenor Michael Ingoldsby ("Ingoldsby" or "Plaintiff-Intervenor").

3. True and correct copies of excerpts from the Deposition of Michael Ingoldsby, taken October 20, 2006, are attached hereto as *Exhibit A*.
4. True and correct copies of excerpts from a policy of insurance issued by National Union to Managed Health Care Systems, Inc. ("MHCS"), being policy number 873-87-52, effective August 4, 2001, through August 4, 2002 which were produced by National Union during discovery are attached hereto as *Exhibit B*.
5. True and correct copies of excerpts from the Rule 30(b)(6) Deposition of International Insurance Group, Ltd., ("IIG") taken October 19, 2006, are attached hereto as *Exhibit C*.
6. A true and correct copy of correspondence, dated May 20, 2002, from Nicholas Sciotto of IIG to Pam Jones of MHCS which was produced by IIG during discovery is attached hereto as *Exhibit D*.

Signed under the pains and penalties of perjury this 29th day of November, 2006.


Gregory J. Aceto, Esq.

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Pages 1-101
Exhibits per index

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS
Civil Action No. 05-CV-11128-NG

-----:
GE HFS Holdings, Inc. :
Formerly Known As :
Heller Healthcare Finance, Inc., :
Plaintiff :
:
and :
:
Michael Ingoldsby, :
Intervenor/Plaintiff :
:
VS :
:
National Union Fire Insurance :
Company of Pittsburgh, Pennsylvania :
and International Insurance Group, LTD, :
Defendants :
-----:

DEPOSITION OF MICHAEL INGOLDSBY, a
witness called on behalf of the Defendant, taken
pursuant to the Federal Rules of Civil Procedure, before
Patricia M. Haynes, a Certified Shorthand Reporter and
Notary Public in and for the Commonwealth of
Massachusetts, CSR No.: 14620F, at the Offices of
Edwards, Angell, Palmer & Dodge, LLP, 111 Huntington
Avenue, Boston, Massachusetts, on Friday, October 20,
2006, commencing at 10:00 a.m.

COPLEY COURT REPORTING
58 Batterymarch Street, Suite 317
Boston, Massachusetts 02110
(617) 423-5841

1 APPEARANCES:

2
3 Edwards, Angell, Palmer & Dodge, LLP
4 (By: John Tumilty, Esquire)
111 Huntington Avenue
5 Boston, Massachusetts 02199
Counsel for the Defendant,
6 National Union Fire Insurance Company

7
8 Johnson & Aceto, P.C.
(By: Gregory J. Aceto, Esquire)
67 Batterymarch Street, Suite 400
9 Boston, Massachusetts 02110
Counsel for the Intervenor/Plaintiff

10
11 Tucker, Heifetz & Saltzman, LLP
(By: Syd A. Saloman, Esquire)
12 100 Franklin Street
13 Boston, Massachusetts 02110

1 00003 through IIG 00015. The first page of that Exhibit
2 8 is a fax cover sheet from International Insurance
3 Group to Gregory Aceto dated November 26, 2002. There
4 are enclosures with that fax after that. If you go two
5 pages in, there's another fax cover sheet dated July 31,
6 2001 to Pam Jones from Nicholas Sciotto at International
7 Insurance Group. Have you seen Exhibit 8 before?

8 MR. ACETO: In its entirety? There are
9 separate documents that I'm not quite sure if they came
10 together.

11 BY MR. TUMILTY:

12 A. I've never seen the fax pages.

13 (Off the record discussion.)

14 BY MR. TUMILTY:

15 Q. To clarify, what has been marked as Exhibit 8
16 here today consists of Bates numbers 0077 consecutively
17 numbered to 0088. It's your testimony that you've never
18 seen the first page of Exhibit 8 or the second page of
19 Exhibit 8 before?

20 A. I just don't know. I can't tell you that I
21 remember it. I mean, I could have.

22 Q. If you go into the third page of Exhibit 8,
23 you'll see there's a letter dated July 27, 2001?

24 A. Um-hum.

1 BY MR. TUMILTY:

2 Q. In the same exhibit, Exhibit 13, paragraph 18,
3 please review that paragraph to yourself.

4 A. Okay.

5 Q. It states, "Upon information and belief,
6 International failed to fully advise MHCS regarding the
7 language of the alleged exclusion and the effective said
8 exclusion on MHCS's liability coverage under the
9 policy."

10 Do you know what the basis is for that
11 paragraph?

12 A. Yes. I mean, I had what I thought was a
13 long-term relationship with International. We had been
14 buying our insurance from them probably since 1990.
15 They obviously had, you know, an obligation to advise me
16 of things.

17 I never knew anything about such an exclusion.
18 I think International or National, someone, owed me an
19 explanation, and they should have brought it to my
20 attention.

21 Q. You don't know for a fact that International
22 did not bring it to the attention of either Pamela Jones
23 or Indy Edwards, do you?

24 A. No, I don't know.

1 been issued by National Union, would you read them?

2 A. Yeah, but I wouldn't read every word.

3 Q. Would you discuss them with anyone?

4 A. I don't think I did.

5 Q. You didn't discuss them with Pamela Jones or
6 Indy Edwards?

7 A. No.

8 Q. Did you discuss them with anyone at IIG?

9 A. No.

10 Q. Did you discuss them with an attorney at that
11 time?

12 A. Not at that time.

13 Q. I believe it's been your testimony that to
14 your knowledge none of the directors and officers
15 liability policies that National Union issued to or
16 provided to MHCS contained a contractual exclusion as we
17 saw it alleged in your Complaint?

18 A. I don't think that's what I said. I said I
19 never knew at the time or I wouldn't have paid the
20 \$25,000 or I wouldn't have allowed our company to spend
21 \$25,000.

22 Q. This is an important point, so I want to make
23 sure it's clear. Your testimony is you never knew that
24 a contractual liability exclusion may have been in the

1 A. Yes.

2 Q. Did you review this?

3 A. I did.

4 Q. If you would please turn to the second page.

5 A. Yes.

6 Q. You see there's a sentence at the top of that
7 page that says, "In fact, I have not been involved in
8 the operations of MHCS since 1999 due to a medical
9 condition which disabled me," do you see that?

10 A. Yes.

11 Q. Is there any other medical condition that has
12 disabled you from 1999 other than what you told me about
13 this morning?

14 A. Well, I've had some cardiac issues and have
15 had six angioplasties from 2003, 2005. In addition to
16 the ones I told you, I think that's it.

17 Q. If you would look at paragraph five, that's
18 consistent with your testimony today, correct?

19 A. Well, I didn't do personal business with
20 International or National. I mean, initially
21 International was introduced to me by, it was either one
22 of two people.

23 I don't really remember which of the two. I
24 think they both knew Jack Perkins. I know that they

1 introduced me to International probably around 1990 and
2 had made the introduction because they thought that
3 International was someone who could really help a
4 growing business.

5 Quite frankly, I think that's the only time I
6 met them. I don't even remember who it was that I met
7 at the time but -- so somewhere around 1989, '90, '91
8 is the time I met them. But after that time, I didn't
9 have any dealings with them.

10 Q. As it says in paragraph five, you weren't
11 involved in MHCS's procurement of insurance coverage,
12 were you?

13 A. I was not.

14 Q. Please review paragraph ten to yourself.

15 A. Okay.

16 Q. Where it says in the second sentence of that
17 paragraph, "In addition, a copy of the policy I received
18 was not bound," do you remember who you received a copy
19 of the policy from?

20 A. It would have come from Managed Healthcare,
21 either Indy Edwards or Pam Jones.

22 Q. For insurance policies that National Union
23 issued to MHCS, when you would receive copies of those,
24 were they usually bound?

C E R T I F I C A T E

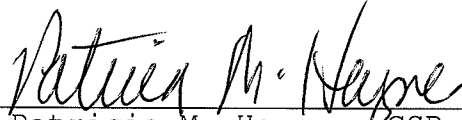
COMMONWEALTH OF MASSACHUSETTS

PLYMOUTH, SS.

I, Patricia M. Haynes, a Notary Public in and
for the Commonwealth of Massachusetts, do hereby
certify:

That MICHAEL INGOLDSBY, the witness whose
testimony is hereinbefore set forth, was duly sworn by
me and that such testimony is a true and accurate record
of my stenotype notes taken in the foregoing matter, to
the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have hereunto set my
hand and Notarial Seal this 20th day of October 2006.


Patricia M. Haynes, CSR
Notary Public

My commission expires July 30, 2010



NATIONAL UNION
FIRE INSURANCE COMPANY
OF PITTSBURGH, PA.®

A CAPITAL STOCK COMPANY

ADMINISTRATIVE OFFICES:
175 WATER STREET, NEW YORK, N.Y. 10038

POLICY NUMBER:
873-87-52

RENEWAL OF:
473-16-30

DIRECTORS AND OFFICERS INSURANCE AND COMPANY REIMBURSEMENT POLICY

NOTICE: EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, THE COVERAGE OF THIS POLICY IS LIMITED GENERALLY TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND REPORTED TO THE INSURER DURING THE POLICY PERIOD. PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE THEREUNDER WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE. AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL BE APPLIED AGAINST THE RETENTION AMOUNT.

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND; HOWEVER, THE INSURER MAY, AND IN CERTAIN CIRCUMSTANCES MUST, ADVANCE DEFENSE COSTS PAYMENTS PRIOR TO THE FINAL DISPOSITION OF A CLAIM.

DECLARATIONS

ITEM 1. NAMED CORPORATION: *MANAGED HEALTH CARE SYSTEMS*

MAILING ADDRESS: *175 DERBY ST STE 24
HINGHAM, MA 02043-3406*

STATE OF INCORPORATION OF THE NAMED CORPORATION:
Massachusetts

ITEM 2. SUBSIDIARY COVERAGE: any past, present or future Subsidiary of the Named Corporation

ITEM 3. POLICY PERIOD: From *August 4, 2001* to *August 4, 2002*
(12:01 A.M. Standard Time at the address stated in Item 1)

ITEM 4. LIMIT OF LIABILITY: *\$3,000,000* aggregate for Coverages A and B
combined (including Defense Costs)

ITEM 5. RETENTION:

Company Reimbursement and indemnifiable Loss: *\$25,000* for Loss arising from
claims alleging the
same Wrongful Act or
related Wrongful Acts.

ITEM 6. PREMIUM: *\$24,995*

CARPENTER & MOORE INSURANCE SERVICES INC.
530 WASHINGTON STREET
SAN FRANCISCO, CA 94111

[Signature]
Authorized Representative

Sep 27, 2001

AIG/GE HFS 00162

7113299

Countersignature
Date

Countersigned
At

DIRECTORS AND OFFICERS INSURANCE AND COMPANY REIMBURSEMENT POLICY

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer by application forming a part hereof and its attachments and the material incorporated therein, National Union Fire Insurance Company of Pittsburgh, Pa.⁹ herein called the "Insurer", agrees as follows:

1. INSURING AGREEMENTS

COVERAGE A: DIRECTORS AND OFFICERS INSURANCE

This policy shall pay the Loss of each and every Director or Officer of the Company arising from any claim or claims first made against the Directors or Officers and reported to the Insurer during the Policy Period or the Discovery Period (if applicable) for any alleged Wrongful Act in their respective capacities as Directors or Officers of the Company, except for and to the extent that the Company has indemnified the Directors or Officers. The Insurer shall, in accordance with and subject to Clause 9, advance to each and every Director and Officer the Defense Costs of such claim or claims prior to their final disposition.

COVERAGE B: COMPANY REIMBURSEMENT INSURANCE

This policy shall reimburse the Company for Loss arising from any claim or claims which are first made against the Directors or Officers and reported to the Insurer during the Policy Period or the Discovery Period (if applicable) for any alleged Wrongful Act in their respective capacities as Directors or Officers of the Company, but only when and to the extent that the Company has indemnified the Directors or Officers for such Loss pursuant to law, common or statutory, or contract, or the Charter or By-laws of the Company duly effective under such law which determines and defines such rights of indemnity.

2. DEFINITIONS

- (a) The "Company" means the Named Corporation designated in Item 1 of the Declarations and any Subsidiary thereof.
- (b) "Defense Costs" means reasonable and necessary fees, costs and expenses consented to by the Insurer (including premiums for any appeal bond, attachment bond or similar bond, but without any obligation to apply for or furnish any such bond) resulting solely from the investigation, adjustment, defense and appeal of any claim against the Insureds, but excluding salaries of Officers or employees of the Company.
- (c) "Insured(s)", or "Director(s) or Officer(s)", means any past, present or future duly elected or appointed Directors or Officers of the Company. Coverage will automatically apply to all new Directors or Officers after the inception date of this policy.
- (d) "Loss" means damages, judgments, settlements and Defense Costs; however, Loss shall not include civil or criminal fines or penalties imposed by law, punitive or exemplary damages, the multiplied portion of multiplied damages, taxes, any amount for which the Insureds are not financially liable or which are without legal recourse to the Insureds, or matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.
- (e) "Policy Period" means the period of time from the inception date shown in Item 3 of the Declarations to the earlier of the expiration date shown in Item 3 of the Declarations or the effective date of cancellation of this policy; however, to the extent that coverage under this policy replaces coverage in other policies terminating at noon standard time on the inception date of such coverage hereunder, then such coverage as is provided by this policy shall not become effective until such other coverage has terminated.

- (f) "Subsidiary" means a corporation of which the Named Corporation owns on or before the inception of the Policy Period more than 50% of the issued and outstanding voting stock either directly or indirectly through one or more of its Subsidiaries.

"Subsidiary" also means any corporation which becomes a Subsidiary during the Policy Period but only upon the condition that within 90 days of its becoming a Subsidiary, the Named Corporation shall have provided the Insurer with full particulars of the new Subsidiary and agreed to any additional premium and/or amendment of the provisions of this policy required by the Insurer relating to such new Subsidiary. Further, coverage as shall be afforded to the new Subsidiary is conditioned upon the Named Corporation paying when due any additional premium required by the Insurer relating to such new Subsidiary. A corporation becomes a Subsidiary when the Named Corporation owns more than 50% of the issued and outstanding voting stock either directly or indirectly through one or more of its Subsidiaries.

- (g) "Wrongful Act" means any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers of the Company in their respective capacities as such, or any matter claimed against them solely by reason of their status as Directors or Officers of the Company.

3. EXTENSIONS

Subject otherwise to the terms hereof, this policy shall cover Loss arising from any claims made against the estates, heirs, or legal representatives of deceased Directors or Officers, and the legal representatives of Directors or Officers in the event of their incompetency, insolvency or bankruptcy, who were Directors or Officers at the time the Wrongful Acts upon which such claims are based were committed.

4. EXCLUSIONS

The Insurer shall not be liable to make any payment for Loss in connection with any claim or claims made against the Directors or Officers:

- (a) arising out of, based upon or attributable to the gaining in fact of any personal profit or advantage to which they were not legally entitled;
- (b) arising out of, based upon or attributable to the committing in fact of any criminal or deliberate fraudulent act;
- (c) arising out of, based upon or attributable to the payment to the Insureds of any remuneration without the previous approval of the stockholders of the Company, which payment without such previous approval shall be held to have been illegal;
- (d) arising out of, based upon or attributable to profits in fact made from the purchase or sale by the Insureds of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law;

(The Wrongful Act of any Director or Officer shall not be imputed to any other Director or Officer for the purpose of determining the applicability of the foregoing exclusions 4(a) through 4(d))

- (e) alleging, arising out of, based upon or attributable to any attempt, whether successful or unsuccessful, by any person or entity to acquire securities of the Company against the opposition of the Board of Directors of the Company ("Board"), or any action, whether successful or unsuccessful, by the Company or the Board to resist such attempts; however, this exclusion shall not apply if, before taking any such resistive action, the Company or the Board has obtained a written opinion (1) from independent legal counsel that such resistive action is a lawful exercise of the Board's business judgment and (2)

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

C. The Definition of Wrongful Act is amended to include the following at the end thereof:

With respect to all Insureds, any alleged defect in peer review or credentialling.

II. AMENDMENTS TO EXCLUSIONS

1. Exclusions 4 (h) is deleted in its entirety and replaced with the following:

(h) alleging, arising out of, based upon or attributable to any actual or alleged contractual liability of the Company or an Insured under any express (written or oral) contract or agreement (including, but not limited to, any liquidated damages, severance agreement or payment, golden parachute agreement, or any compensation agreement payable upon the termination of any Insured); provided, however, that this exclusion shall not apply to:

(1) Employment Practices Claims to the extent that any liability does not arise from such express contract or agreement; or

(2) Claims for Loss alleging Wrongful Acts of an Insured(s) with respect to hospital practice, privileges, credentialling or peer review matters.

2. The following additional exclusions are added to the end of Clause 4. EXCLUSIONS:

(r) alleging, arising out of, based upon or attributable to any failure or omission on the part of the Insureds or the Company to effect and maintain insurance;

(s) alleging, arising out of, based upon or attributable to, or in any way involving, either directly or indirectly, antitrust violations, price fixing, price discriminations, unfair competition, deceptive trade practices and/or monopolies, including any actions, proceedings, claims or investigations related thereto;

(t) alleging, arising out of, based upon or attributable to the Insureds performance or rendering of or failure to perform or render medical or other professional services or treatments for others; provided, however, that this exclusion shall not apply to:

(1) Employment Practices Claims;

(2) Claims for Loss alleging Wrongful Acts of an Insured(s) peer review or credentialling processes;

END

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

(u) alleging, arising out of, based upon or attributable to any Human Clinical Trial. For purposes of this exclusion (u), "Human Clinical Trial" shall mean any study utilizing humans to provide clinical data for the assessment of a medical treatment, procedure or pharmaceutical.

III. AMENDED CLAUSE 9

Clause 9 is deleted in its entirety and replaced with the following:

9. PRE-AUTHORIZED DEFENSE ATTORNEYS FOR ALL CLAIMS

This Clause 9 applies to all Claims.

Affixed as Appendix A hereto and made a part of this policy is a list or lists of Panel Counsel law firms ("Panel Counsel Firms") from which a selection of legal counsel shall be made to conduct the defense of all Claims against an Insured pursuant to the terms set forth below.

In the event the Insurer has assumed the defense pursuant to Clause 8 of this policy, then the Insurer shall select a Panel Counsel Firm to defend the Insureds. In the event the Insureds are already defending a Claim, then the Insureds shall select a Panel Counsel Firm to defend the Insureds.

The selection of the Panel Counsel Firm, whether done by the Insurer or the Insureds, shall be from the list of Panel Counsel Firms designated for the type of Claim and be from the jurisdiction in which the Claim is brought. In the event a Claim is brought in a jurisdiction not included on the appropriate list, the selection shall be made from a listed jurisdiction which is the nearest geographic jurisdiction to either where the Claim is maintained or where the corporate headquarters or state of formation of the Named Entity is located. In such instance, however, the Insurer shall, at the written request of the Named Entity, assign a non-Panel Counsel Firm of the Insurer's choice in the jurisdiction in which the Claim is brought to function as "local counsel" on the Claim to assist the Panel Counsel Firm which will function as "lead counsel" in conducting the defense of the Claim.

With the express prior written consent of the Insurer, an Insured may select (in the case of the Insured defending the Claim), or cause the Insurer to select (in the case of the Insurer defending the Claim), a Panel Counsel Firm different from that selected by

END

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

other insured defendants if such selection is required due to an actual conflict of interest or is otherwise reasonably justifiable.

The list of Panel Counsel Firms may be amended from time to time by the Insurer. However, no change shall be made to the specific list attached to this policy during the Policy Period without the consent of the Named Entity.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

END

(2/90)

INSU

AUTHORIZED REPRESENTATIVE

AIG/GE HFS 00238



ORIGINAL

Pages: 1-105
Exhibits: 1-25

U.S. DISTRICT COURT
DISTRICT OF MASSACHUSETTS

C.A.#: 05-CV-11128-NG

GE HFS HOLDINGS, INC., f/k/a
HELLER HEALTHCARE FINANCE, INC.,
Plaintiff

AND

MICHAEL INGOLDSBY,
Inventor/Plaintiff

VS.

NATIONAL UNION FIRE INSURANCE CO. OF
PITTSBURGH, PA, and INTERNATIONAL
INSURANCE GROUP,
Defendants

30(b)(6) DEPOSITION OF
INTERNATIONAL INSURANCE GROUP, by
JEREMY N. ALDERMAN, a witness called
by and on behalf of the Inventor/
Plaintiff, Michael Ingoldsby, pursuant
to the provisions of the Federal Rules
of Civil Procedure, before Joan
Applegate, Certified Shorthand Reporter
and Notary Public in and for the
Commonwealth of Massachusetts, at
the offices of Johnson & Aceto,
67 Batterymarch Street, Boston,
Massachusetts, on Thursday, October 19,
2006 commencing at 10:10 a.m.

1 APPEARANCES:

2

3 Gregory Aceto, Esq.

4 Johnson & Aceto, P.C.

5 67 Batterymarch Street

6 Boston MA 02110

7 On behalf of the Inventor/Plaintiff,

8 Michael Ingoldsby;

9

10 Syd A. Saloman, Esq.

11 Tucker, Heifetz & Saltzman, LLP

12 100 Franklin Street

13 Boston MA 02110

14 On behalf of the Defendant,

15 International Insurance Group

16 and Jeremy Alderman;

17

18 M. Machua Millett, Esq.

19 Edwards, Angell, Palmer & Dodge, LLP

20 111 Huntington Avenue

21 Boston MA 02199

22 On behalf of the Defendant,

23 National Union Fire Insurance Company.

24

1 Q. Are you comfortable that all those
2 answers are accurate and complete?

3 A. To the best of my knowledge, yes.

4 Q. Back when Managed Healthcare was a --
5 can you describe for me the
6 relationship between Managed Healthcare
7 and InterNational Insurance Group; what
8 was that relationship?

9 A. I don't understand the question.

10 Q. Can you tell me what the relationship
11 was between InterNational Insurance
12 Group and Managed Healthcare Systems?

13 MR. SALOMAN: Objection, but
14 you can answer.

15 A. I don't know how to answer the
16 question.

17 Q. Did InterNational act as the broker for
18 Managed Healthcare Systems?

19 A. We were the broker for certain lines of
20 business.

21 Q. And what were those lines of business?

22 A. I'm not sure the number of lines that
23 we did for them.

24 Q. But what are the ones that you're

1 familiar with?

2 A. I am familiar with the D and O.

3 Q. The D and O policy. Do you think there
4 are any other lines of business that
5 InterNational was doing for Managed
6 Healthcare?

7 A. I do not know.

8 Q. Do you know how Managed Healthcare
9 ended up with InterNational?

10 A. I do.

11 Q. How was that?

12 A. We were introduced to Mr. Ingoldsby.

13 Q. By whom?

14 A. By a common friend, Jack Perkins.

15 Q. And how do you know that information?

16 A. Because Jack asked me to call
17 Mr. Ingoldsby.

18 Q. And was this back when you were head of
19 sales?

20 A. No, head of InterNational.

21 Q. You were managing director at the time?

22 A. Correct.

23 Q. When was that that Jack asked you to
24 call Mr. Ingoldsby?

1 A. I do not recall.

2 Q. But it was when you -- at the time when
3 you were managing director?

4 A. Correct.

5 Q. And Jack Perkins, what is his
6 relationship to InterNational?

7 A. He is an independent -- independent --
8 how to best describe him. Independent
9 producer.

10 Q. He directs business to InterNational?

11 A. At times, yes.

12 Q. Does he get a fee from InterNational
13 for directing business to you?

14 A. Yes, he does.

15 Q. In this particular case did he get a
16 fee?

17 A. I do not recall.

18 Q. Do you know the reason why Managed
19 Healthcare was looking for insurance at
20 the time?

21 A. I do not.

22 Q. Did you call Mr. Ingoldsby yourself
23 when Mr. Perkins asked you to?

24 A. I do not recall whether I called him

1 myself.

2 Q. Have you ever had any conversations
3 directly with Mr. Ingoldsby?

4 A. I have.

5 Q. Any back at the time when he was
6 considering policies?

7 A. Yes.

8 Q. Anybody else at Managed Healthcare that
9 you dealt with back then?

10 A. Do not recall.

11 Q. How many conversations did you have
12 with Mr. Ingoldsby back at the time
13 that they were looking for insurance
14 for a D and O policy?

15 A. I recall one meeting.

16 Q. And where was that meeting?

17 A. At their offices in Hingham.

18 Q. Who else was at the meeting?

19 A. Do not recall.

20 Q. But you're sure that Mr. Ingoldsby was
21 there?

22 A. I am.

23 Q. Do you recall whether there were other
24 people present besides yourself and


1 COMMONWEALTH OF MASSACHUSETTS)
2 COUNTY OF ESSEX)

3
4 I, Joan Applegate, C.S.R., a
5 notary public in and for the
6 Commonwealth of Massachusetts, do
7 hereby certify that Jeremy N. Alderman
8 was by me first duly sworn, to testify
9 to the truth, the whole truth, and
10 nothing but the truth, and that the
11 above deposition, pages 4 through 103,
12 inclusive, was recorded steno-
13 graphically by me and reduced to
14 typewriting by me.

15
16 I FURTHER CERTIFY that the
17 foregoing transcript of the said
18 deposition is a true and correct
19 transcript of the testimony given by
20 the said witness at the time and place
21 specified hereinbefore.

22
23 I FURTHER CERTIFY that I am not a
24 relative or employee or attorney or
counsel of any of the parties, nor a
relative or employee of such attorney
or counsel, or financially interested
directly or indirectly in this action.

IN WITNESS WHEREOF, I have
hereunto set my hand and seal of office
at Saugus, Massachusetts, this 30th day
of October, 2006.

19
20 
21 Joan Applegate
22 Certified Shorthand Reporter
23 Notary Public
24

My notary commission expires:
March 29, 2007.

HP LASERJET 3150
PRINTER/FAX/COPIER/SCANNER

ID CONFIRMATION REPORT FOR
INTERNATIONAL INSURANCE
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MAY-20-02 1:30PM

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IIG

Memo

To: Pam Jones FAX: 781-740-2202 Cover +1
From: Nicholas F. Sciolto, AU, ARM, AIS
Director of Account Services
Date: 05/20/2002
Re: Directors & Officers Liability/Professional Liability

Hopely this will give you the information to make a sound decision with respect to the captioned policy. Regarding the D&O policy, the policy has gone into run-off on 3/27/02 by virtue of the Chapter 7 filing. In essence clause 12 (Termination of Coverage for Subsequent Wrongful Acts after Certain Transaction) of the policy was invoked by virtue of the Chapter 7 filing. This means that the policy is in force through 8/4/02, but only with respect to discovery of events that took place prior to 3/27/02. In essence, claims can still be made until 8/4/02 as long as the occurrence date is 3/27/02 or prior. On 8/4/02, and extended reporting period can be purchased for claims made as follows:

One-year term	Annual Premium (\$24,885) X 75% = \$18,745
Two-Year Term	Annual Premium (\$24,885) X 160% = \$37,493
Three-Year Term	Annual Premium (\$24,885) X 180% = \$44,793

Now, having said all this, the only event that is complicating matters is the fact that the Finance Company has issued Cancellation Notice. Since the Company, National Union, has received all their premium up front from the deposit and finance company, they basically have been made whole. It is whether or not the Finance Company can legally obligate the company to cancel the policy effective 4/30/02. Unfortunately, I do not know the answer to that question. If that happens, then the discovery period through 8/4/02 is not valid and there is no option to purchase the Extended Reporting Period.

I would recommend paying the balance of the Financed Premium, \$5,709.54, which would keep the policy definitively in force through 8/4/02. At that time, you can decide on whether or not to extend the policy further through the extended reporting period provision.

As discussed earlier, claimant's can make a claim against an individual D&O or the corporate entity. If you purchase the Extended Reporting Period on your own, you would be benefiting yourself, but other D's and O's as well as the corporate entity. Not having the coverage could expose your personal assets if a viable claim is made. This last statement is not meant to intimidate, but merely point out the plain truth of the matter. You know more about the internal aspects of the operations and whether or not a potential situation could arise.

Also attached is the Cancellation Notice from PAC regarding the E&O Package policy. We can talk more in depth about that when you call.

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